



Department for  
Communities and  
Local Government

## Future of Local Audit

Consultation on secondary legislation: summary of  
responses

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# Contents

|  |           |
|--|-----------|
| <b>Section 1</b>   | <b>2</b>  |
| Introduction   | 2         |
| Overview of the Government's response                                  | 2         |
| <b>Section 2</b>   | <b>3</b>  |
| Smaller authorities' regulations                                       | 3         |
| <b>Section 3</b>   | <b>6</b>  |
| Independent auditor panels and the resignation and removal of auditors | 6         |
| <b>Section 4</b>   | <b>9</b>  |
| Eligibility and regulations of auditors                                | 9         |
| <b>Section 5</b>   | <b>11</b> |
| Conduct of local audit   | 11        |
| <b>Section 6</b>   | <b>15</b> |
| The Government's next steps  | 15        |
| <b>Annex A</b>   | <b>16</b> |
| Respondents by sector  | 16        |
| <b>Annex B</b>   | <b>17</b> |
| List of consultation questions   | 17        |

# Section 1

## Introduction

- 1.1. On 9 May 2013 the Local Audit and Accountability Bill was introduced into Parliament. The Bill set out the Government's proposals to disband the Audit Commission and establish a new local public audit framework. On 30 January 2014, the Local Audit and Accountability Act 2014 received Royal Assent.
- 1.2. To give effect to many of the provisions contained in the Act, approval of secondary legislation will be required. Consequently, on 25 November 2013, the Government launched the *Future of Local Audit: Consultation on secondary legislation*. The purpose of the consultation was to gauge the views of organisations affected by these changes and other interest parties regarding draft regulations and policy questions on developing further regulations. The consultation closed on 20 December 2013. This document summarises the comments received and sets out the Government's response.

## Overview of the Government's response

- 1.3. The consultation paper asked for views on draft secondary legislation and policy statements in the following areas:
  - smaller authorities' regulations;
  - auditor panel and auditor panel independence regulations;
  - eligibility and regulations of auditors;
  - conduct of local audit; and
  - Accounts and Audit Regulations.

A full list of the consultation questions is available at Annex C.

- 1.4. 130 responses were received. The majority (78.5%) of these responses were from local government: parish and town councils, district councils, county and unitary local authorities and their representative bodies. Responses were also received from professional audit and accountancy firms, audit professional bodies, other public sector organisations and members of the public. A breakdown of the number of responses by sector is included in Annex A, while a full list of respondents is included in Annex B.
- 1.5. We are grateful to all those that responded to the consultation. On balance, the proposed draft regulations and policy statements were positively received by the majority of respondents. The following sections provide a summary of the responses to each consultation question, along with the Government's response.

# Section 2

## Smaller authorities' regulations

### **Draft regulations for a specified person to appoint auditors to smaller authorities**

- 2.1 The consultation included draft regulations on the specification of a “person” to appoint auditors to smaller authorities and a policy intention statement on the exemption from routine audit for authorities with a turnover not exceeding £25,000. The consultation explained that the Government does not intend to provide for smaller authorities to opt-out of the specified person’s auditor appointment regime during a contract period. This will ensure a predictable income so that the specified person may manage the contracts effectively and give clarity to auditors regarding the size and composition of contracts to enable them to price bids competitively.
- 2.2 Question 1 sought views on circumstances where a smaller authority should be able to opt out during a contract period. 38 responses answered this question. 22 (58%) explicitly supported the Government’s proposal. No responses supported opting out at will. 19 (50%) identified circumstances requiring consideration. The most commonly cited were: conflict of interest or breakdown of relations between the auditor and the authority, failure of the specified person to discharge its statutory duties, value for money, and where the authority exceeds the £6.5 million threshold, decides to undergo full code audit or is exempt from routine audit.
- 2.3 The Government’s view is that these circumstances can be addressed without regulations to enable opting out. The specified person will consult on proposed auditor appointments to ensure that there is no conflict of interest and will be able to switch suppliers should a conflict emerge. The draft regulations include provisions for the de-specification of the specified person and the transfer of its functions as a backstop power: these could be activated in the event of wholesale failure of the specified person. Authorities which either exceed the £6.5m threshold or decide to undergo full code audit will be automatically opted out. Exempt authorities will still be required to appoint an auditor to ensure that local electors may exercise their rights, so the Government does not believe that exempt status should be a reason for opting out. Several responses said that the regulations should also specify a maximum contract period. The Government agrees and proposes to specify a maximum contract period of five years. This is consistent with section 7 of the Act which requires an authority to appoint a local auditor at least once every five years.
- 2.4 Question 2 asked if there are any circumstances in which the specified person should be able to forcibly opt-out a smaller authority. 32 respondents answered this question. 24 (75%) said that there were no such circumstances. Nine responses identified potential circumstances including non-payment and lack of co-operation. Seven responses proposed safeguards to ensure that the authority is treated fairly and has sufficient time to appoint its own auditor in compliance with the law.

- 2.5 The Government is not minded to allow forcible opting-out under any circumstances. In the case of non-payment, the specified person would be free to pursue the authority for payment in the courts.
- 2.6 Question 3 asked if the specified person should be required to publish the list of opted-in and opted-out authorities, and, for opted-in authorities, the names of the appointed auditors. 45 responses addressed this question. 35 (78%) agreed with the proposal. The main reasons cited were transparency, good governance and to help members of the public to identify the local auditor. Five responses disagreed and six referred to potential costs. Two responses suggested that the list should be published by another organisation (DCLG or the Financial Reporting Council).
- 2.7 The Government considers that the cost of publishing the record would be marginal as the specified person would hold the information for operational purposes. The Government therefore proposes to make publication of the proposed record a requirement for the specified person.
- 2.8 Question 4 asked whether, in the event that a smaller authority opts-out of the specified person's appointment regime but then fails to appoint an auditor, the Secretary of State should be able to order that the authority is opted-in and require the specified person to appoint an auditor. The majority of responses agreed with the proposal (38 out of 43, 88%). Ten responses discussed the process including the mechanism by which the authority's failure to appoint an auditor would come to light. One response noted that the specified person should be able to charge costs.
- 2.9 The Government considers that it would be appropriate for the Secretary of State to have a power to order that a smaller authority is opted in. This power would be in addition to the powers under Section 12 of the Act, to enable discretion. An opted out authority will be under a duty to inform the Secretary of State if it fails to appoint an auditor under Section 12 of the Act. The Government considers that allowing the specified person to recover administrative costs in such cases is reasonable.
- 2.10 Question 5 elicited a variety of further comments on the smaller authorities regulations. These will be considered as the remaining regulations are drafted. The Government intends to consult further on these regulations in May 2014.

### **Statement on exemption policy**

- 2.11 The consultation set out the Government's policy intention for the exemption from routine audit of smaller authorities whose turnover does not exceed £25,000 pa. Authorities which would otherwise qualify for the exemption may choose to have an audit. The exemption will not apply where: a smaller authority is newly established, for the first three years; a public interest report has been made in the previous year; or an item in the accounts has been declared unlawful in the previous year.
- 2.12 Question 6 sought views on the criteria for suspension of the exemption and on the process. 48 responses addressed the exemption policy. Of these, 18 specifically addressed the criteria for suspension, and the majority (14, 78%) supported the proposed criteria. Three respondents suggested additional criteria: the issuance of a statutory recommendation or advisory notice, an application for judicial review, and where the previous year's audit certificate had been qualified.

- 2.13 22 respondents commented on the proposed process. Of these, 12 (55%) were in favour of the proposal and 10 (45%) were not. The main concern related to the potential costs involved in the auditor's role in certifying an authority's exemption. 28 responses commented more generally on the exemption policy: 11 did not favour any exemption, whilst seven supported the principle of exemption. Three felt that the £25,000 threshold was too low and three questioned the rationale and practicality of no smoothing provision for this threshold.
- 2.14 The Government considers that the proposed criteria for the suspension of the exemption are appropriate and risk-based. However, the Government agrees that these safeguards should be extended to include situations where an auditor has exercised certain other statutory powers in relation to an authority. Specifically these powers are: to issue a written recommendation, to seek a judicial review of an authority's decision or failure to act, and to issue an advisory notice. Auditors rarely use these powers, but where they do, they indicate significant concerns regarding an authority.
- 2.15 The Government has already indicated its intention to review the £25,000 threshold at a later date with a view to considering whether it could be increased further if it has worked well.<sup>1</sup> The Government does not propose to add a three-year smoothing provision to the £25,000 threshold as this would be inconsistent with the new transparency requirement which will apply in relation to a year in which the authority's turnover does not exceed the threshold. The Government agrees that it will be important to minimise the costs associated with the exemption process. Accordingly, the regulations will clarify that the authority will be responsible for self-certifying its exemption.

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<sup>1</sup> Para 94 Command Paper published alongside the Draft Local Audit Bill (July 2012)  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/8350/2174738.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8350/2174738.pdf)

## Section 3

### Independent auditor panels and the resignation and removal of auditors

#### **Auditor panel and auditor panel independence regulations**

- 3.1 Question 7 sought views on the draft regulations' approach to auditor panels. The draft regulations, extend the definition of an independent panel member, set out the minimum membership of an auditor panel, and apply several existing local authority enactments to panels. The regulations also give the panel the function of advising on whether to adopt a policy on procurement of non-audit work from the auditor, and on the content of such a policy.
- 3.2 Respondents raised a number of questions regarding the practicalities of recruiting independent auditor panel members, the definition of independence, and the role of the panel. Some respondents questioned the need for auditor panels and possible duplication of the role of existing audit committees. A number of respondents suggested that further guidance on the operation of auditor panels would be helpful, covering for example: the skills and experience of panel members, shared panels, and the role of panels in joint procurement. A small number asked for clarity on the implications for an authority when opting-in to a national procurement body.
- 3.3 A number of respondents suggested that any policy on non-audit work developed by an authority should build closely on existing provisions in the Financial Reporting Council's ethical standards. A small number commented that auditor panels would not need to advise on the content and adoption of a policy related to "non-audit" work, either because auditors comply with ethical standards, or because audit committees could fulfil that role. Conversely, some respondents said that having such a policy should be mandatory, and/or that Government might go further by setting out some specific rules or limits in legislation.
- 3.4 The Government will consider with the sector the development of guidance on how best to utilise the perspective and expertise of audit committees. However, we believe that it is right to have independent oversight in this area, which the audit committee, as a committee of the authority, cannot provide. The Act already allows an audit committee to act as an auditor panel if it has an independent chair and majority for these purposes. An auditor panel may also draw on an audit committee's advice in carrying out its functions, as of course may the authority.
- 3.5 The Government supports efforts by local authorities to achieve better value for money through joint procurement and we can confirm that several authorities may share an auditor panel. The Government intends that, for authorities opting-in to arrangements for national procurement, the requirement to appoint an auditor panel will not apply. We will consider with the sector guidance on the experience and skills to look for when recruiting panel members, and how best to recruit them. The Government agrees that policies on non-audit work should build upon and reflect existing ethical standards for auditors, and will consider making this clear in further

guidance for auditor panels. The Act and draft regulations give local bodies the flexibility to determine a policy or approach that suits them locally, subject to oversight by the independent auditor panel and safeguards already provided by ethical standards. The Government therefore does not intend to make regulations that are more prescriptive about the rules each local body should have in place.

## **Auditor resignation and removal**

- 3.6 Question 7 also sought views on draft regulations on the resignation and removal of auditors. These regulations set out the process to be followed if an authority wishes to remove its auditor, or if an auditor wishes to resign. Question 8 asked whether the provision in these regulations for authorities to make a replacement appointment within three months of the auditor's departure is reasonable.
- 3.7 Respondents raised some concerns regarding the feasibility of several stages of the resignation and removal timetable, including interaction with other provisions such as ethical standards, and resilience of the timetable when faced with delays or absences. Respondents also sought further clarification on the timetable for resignation and removal processes, and arrangements for subsequent notification. Some respondents suggested that the Secretary of State should receive and monitor notifications of auditor departures. It was suggested that the Financial Reporting Council, in addition to the recognised supervisory body, be notified of the departure of auditors undertaking major audits, as in the companies sector.
- 3.8 With regard to the timescale for appointing a replacement auditor following resignation or removal, most (18) respondents considered that the proposed three month period was too short, with eight suggested six months instead. However, several responses expressed concern that the proposed timescale would result in an unacceptable gap between auditor appointments.
- 3.9 The Government expects that resignation or removal of an auditor will be a very rare occurrence. The timetable provided is intended to give a reasonable period for each part of the process to be completed, balanced with the need to provide for a timely subsequent reappointment. We will consider whether guidance is needed on the circumstances an authority is likely to encounter during these processes.
- 3.10 Arrangements for notification to audit authorities of an auditor's departure from an audit in the companies sector are being reviewed as part the Deregulation Bill currently before Parliament. The Government intends to finalise the detailed arrangements for notification in local public audit in light of final provisions in the companies sector. As part of this we will consider the benefits of requiring additional notification to the Financial Reporting Council in the specific case of major local audits. Given the existing requirement for notification to the recognised supervisory body, with enhanced local accountability provided by auditor panels and the requirement that auditor resignation or removal is brought to the attention of the local electors, the Government does not consider it necessary to require the Secretary of State be notified of auditor departures.
- 3.11 Regulations will provide that if an authority does not appoint a replacement auditor within three months, the Secretary of State will have a reserve power to appoint an auditor or direct the authority to appoint a specified auditor. The Government

believes that an authority should endeavour to appoint a replacement as soon as possible. However we recognise that in some cases, it may take more than three months to make a new appointment.

- 3.12 The power available to the Secretary of State is discretionary, and upon expiry of the three month deadline, he will be able to consider specific circumstances before deciding whether to exercise that power. Where an authority has made good progress to making a new appointment, for example, no action may be necessary. However, the Government believes it is right that the Secretary of State retains a reserve power to act, for example if an urgent appointment is needed and / or the authority is failing to make a replacement appointment

# Section 4

## Eligibility and regulations of auditors

- 4.1 This section summarises the responses to the draft *Local Audit (Professional Qualifications and Major Local Audit) Regulations 2013*, specifically in relation to question 10, concerning the minimum criteria that a local audit qualification must meet in order to be recognised, and question 11, relating to the thresholds for defining major local audits. Questions 9 and 12 sought general comments about the approach taken in the draft regulations.
- 4.2 62 respondents (48%) commented on the draft regulations. Respondents comprised audit firms, professional accountancy bodies, 44 local government bodies and members of the public. Overall, 78% of responses were in favour of the approach proposed in the regulations although some respondents raised queries around some of the proposals and these are detailed below.
- 4.3 Question 10 sought comments on whether the requirements in Part 2 of the regulations would ensure a robust and appropriate qualification for local audit. The Act allows the Secretary of State to make regulations setting out the minimum requirements that a qualification must meet in order to be recognised for the purposes of local audit. Part 2 of the draft regulations sets out these minimum criteria, including the examination subjects to be tested.
- 4.4 34 respondents (71%) viewed the requirements as providing an appropriate framework to allow a body to develop a suitable qualification for local audit. Five respondents queried whether the regulations recognised sufficiently the wider scope of local audit and, in particular, commented that there is no explicit requirement for the qualification to cover auditors' value for money work or auditors' statutory powers and duties under the Act. 15% of respondents suggested that the regulations should cover the need for auditors to continue professional development to ensure that their local audit experience remains current.
- 4.5 In developing the criteria that a local audit qualification must meet, the Government has consulted extensively with key stakeholders and has also had regard to the statutory framework that will regulate local auditors under the new arrangements. It is important to note that holding an appropriate qualification, such as one that could be recognised in accordance with the regulations, is necessary but not sufficient on its own for an individual to take a key responsibility for a local audit. In addition to holding an appropriate qualification, individuals will need to have an appropriate level of competence to carry out local audits.
- 4.6 In mirroring the regulatory framework for statutory audit, the recognised supervisory bodies for local audit will have in place rules and practices which must comply with specific guidance issued by the Financial Reporting Council. This guidance covers the experience and other criteria that individuals must have before being permitted to take responsibility for carrying out a local audit. The names of those individuals assessed as competent to take primary responsibility for a local audit, on behalf of a firm eligible for local audit, will be published on the local audit register.

- 4.7 In applying the framework in the Companies Act 2006 to the regulation of local auditors, the Government believes that there are sufficient safeguards to ensure that individuals have appropriate technical skills and experience and that firms have in place appropriate support mechanisms to ensure that suitably experienced and qualified auditors deliver local audits to the right standard.
- 4.8 Question 11 sought comments on whether the thresholds in Part 3 of the draft regulations that define which bodies would have their audits defined as a 'major local audit', and therefore subject to audit quality monitoring from the Financial Reporting Council's Audit Quality Review team, seem appropriate to capture the audits of significant local bodies.
- 4.9 29 respondents (63%) agreed that the proposed thresholds were appropriate to capture the audits of significant local bodies. 9% felt that the regulations should go further and set out that the audits of all relevant bodies under the Act should be deemed to be a 'major local audit', given that there is a level of public interest in all local bodies. Three respondents suggested that the proposed threshold was too low and that this could add to the cost of the regulatory framework. More generally, it was suggested that the definitions used in the regulations need further refinement, specifically around the exact term for 'income' and 'expenditure' that would be used to determine the overall population of major local audits.
- 4.10 The Government's view is that the proposed thresholds will result in a population of a sufficient size to allow flexibility for the Financial Reporting Council to choose a sample of audits to review as part of its annual monitoring programme. Modelling indicates that the population will be large enough to ensure that the same bodies will not be subjected to repeated inspections. Those audits which fall outside the definition will still be subject to scrutiny from the recognised supervisory bodies' audit quality monitoring activities. Following queries raised by respondents as to the exact measure that will be used to determine whether an authority's audit would fall within the definition of a major local audit, Government is considering how to further clarify the definition of income and expenditure within the regulations.
- 4.11 More generally, some raised queries around the role of the Financial Reporting Council in the new framework and those powers that would be delegated to it. Schedule 5 to the Act has a number of powers and duties and it is intended that a significant number of these will be delegated to the Financial Reporting Council in line with the approach taken under the Companies Act 2006. As such, the Government believes that its proposals to delegate are in line with the Financial Reporting Council's current oversight role and therefore that it is best placed to undertake a similar role for the regulation of local audit.

# Section 5

## Conduct of local audit

### **Consideration of public interest reports or written recommendations by a relevant authority**

- 5.1 Question 13 asked for comments on proposals relating to the arrangements for relevant authorities to consider public interest reports or written recommendations to bodies currently excluded from these requirements. The proposal set out the Government's intention to modify the requirement for Port Health Authorities, Internal Drainage Boards, and other persons or bodies referred to in paragraph 29 of Schedule 2 so that they must consider a Report or recommendation "as soon as is practicable", rather than within one month of receipt. The consultation also proposed to apply existing legislation on arrangements for public meetings to bodies which are not currently subject to such legislation.
- 5.2 The majority of the 34 responses to this question (31 or 91%) agreed that the proposals were appropriate and robust. Of these, 16 (52%) were unequivocally supportive, while 15 suggested additional measures. Three respondents suggested that a time limit should be imposed to restrict the consideration period to within three months, and a further three respondents supported broader measures to protect auditors in issuing public interest reports, with regard to both the indemnity and re-appointment. Other issues raised included the need to balance the speed of reporting and compliance, and the need for early warning of potential concerns ahead of issuing a Report or written recommendation.
- 5.3 Three respondents were not supportive of the proposals. Two suggested that the resources required to undertake the work would be better used to provide early solutions, while one audit firm suggested that the Audit Commission's central indemnity should be maintained.
- 5.4 The Government intends to modify the requirements as proposed since over 90% of respondents supported the proposal.

### **Accounts and audit regulations**

- 5.5 The consultation document did not include a draft text for the Accounts and Audit Regulations to be made under section 32 of the Act. Instead, it raised a series of questions on key aspects of the existing Regulations. 133 respondents (87%) answered one or more of these questions, including responses from the Local Government Association, four of the national accountancy institutes and seven of the accounting firms who currently undertake local authority audits, and many local authorities - both principal authorities and parish councils.
- 5.6 Question 14 sought comments on the provisions for financial management, internal control and internal audit in the existing Regulations. There was broad support for maintaining the current content of this section of the Regulations. Some respondents

requested that the current wording to be retained, while others recommended improvements that would bring the Regulations in line with current good practice.

- 5.7 With regard to the existing regulation on responsibility for financial management (regulation 4), some respondents suggested that it should incorporate a more robust framework for the annual governance statement, for example, increased opportunity for members to consider it.
- 5.8 Concerning the existing regulation on accounting records and control systems (regulation 5), the majority of respondents agreed with the proposal that a more principles-based approach should be taken. However, a few responses asked for retention of the specific requirements of the current regulations; while one further respondent recommended that the regulations should take account of the new environment in which public bodies are operating, including the control implications of joint working and new delivery vehicles.
- 5.9 Many respondents recommended amending the existing internal audit regulation (regulation 6) to reflect the wider scope of internal audit set out in the Public Sector Internal Audit Standards, published in 2013. The new wording should incorporate reference to internal audit's role in evaluating and improving the effectiveness of risk management, control and governance processes. Respondents also recommended that the regulations should apply the standards to relevant authorities, or at least to those that are not smaller authorities.
- 5.10 Question 15 asked for comments on the content of the statements of accounts and the process for producing them. Many respondents expressed concern at the length and complexity of the published accounts, along with the difficulties this creates for council members and the public to understand them. Within this context, respondents noted the recent consultations by HM Treasury and CIPFA on simplifying the published accounts of public bodies. With regard to items of content required by the current regulations (regulation 7), some respondents requested that they more closely correspond with the disclosures required by the *Code of Recommended Practice for Local Authorities on Data Transparency*.
- 5.11 Regarding the process for preparing and approving the statement (regulation 8), there was general support for maintaining the current requirements that were introduced in 2011. Most respondents agreed with the proposal that the unaudited statement should be published on an authority's website and that provisions concerning late accounts be added. Views were mixed regarding the proposal to lay the unaudited accounts before members, with some respondents considering this to be a retrograde step (returning to the pre-2011 process) that would cause practical problems in arranging the necessary meetings. However, some authorities stated that they already do this, since it reduces the pressure on members at the September meeting when the accounts and other documents must be approved. Finally, some recommended that practice should be left to the discretion of individual authorities and does not need to be covered in the regulations.
- 5.12 Question 16 sought views on whether to bring forward the local government accounts timetable and what practical issues this change might raise. Many respondents provided detailed replies, and we are particularly grateful for the information on the practical implications of implementing such a change. A small

number of local authorities and accounting organisations either simply supported an advance of the timetable, or agreed in principle that it was desirable. But most respondents were opposed to a change, or argued that now was not an appropriate time. In many cases opposition was based on a view that the additional work involved in earlier publication could not be justified when public interest in the accounts was so limited and authorities were under financial pressure. Another concern raised was that earlier publication would be achieved at the expense of accuracy, unless additional resources could be devoted to the task.

- 5.13 A number of more specific practical issues were raised. Many respondents drew attention to the phasing of external audit work that is now possible, with NHS audits undertaken first and then local authority audits. An advance of the local government timetable would compress the auditors' work programme, resulting in extra costs that might be passed on in higher audit fees. Some respondents made a link with the issue of simplification of the accounts raised in responses to question 15 which might assist an advance in the timetable. Reference was also made to some significant accounting developments in prospect in the next few years, such as changes in the valuation of transport infrastructure assets, which would be difficult to achieve when an authority was adjusting to a tighter timetable. Respondents supported the proposal to give notice of a change at least 12 months before the beginning of the year, in some cases recommending a longer period.
- 5.14 Questions 17 and 18 sought views on changes to the framework for the exercising of public rights on inspection and objection at the audit, and information on the extent to which those rights are currently exercised. Two options for change were set out in the consultation paper, both involving greater standardisation in the period during which the rights could be exercised. Option 2 providing for rather less flexibility than option 1, and for an overlap of the inspection and objection periods.
- 5.15 There was no consensus around either option, though option 1 was more often preferred. Some respondents preferred the status quo to either option, and some suggested other approaches or had no preference. Views on the overlap of the inspection and objection periods were also mixed, with more opposed than in favour, but some seeing merit in the suggestion. A few respondents questioned whether the inspection rights were necessary, when Freedom of Information rights and the new data transparency requirements made information available throughout the year.
- 5.16 On the current use of the rights, more than four-fifths of the authorities responding said that usage was nil or minimal. One of the accounting firms estimated that the rights were only used at 10% of authorities. Some authorities commented that use of the right had declined significantly since the Freedom of Information Act was passed. Of those authorities where use had been made of the rights, most commented on the burden that answering the enquiries imposed, but a response was also received from a person who had used the rights which explained he had used the information provided to make challenges at three authorities. A number of respondents affirmed the value of the rights to local people.
- 5.17 The Government intends to keep public inspection rights as they constitute an important local scrutiny and accountability measure. However, the Government also recognises that the low take-up of these rights may be due a lack of public information about them, as well as a consequence of the existing complex procedure

for setting the inspection period. These issues will be addressed in the draft regulations proposed for consultation in May 2014.

- 5.18 Question 19 asked for views on proposals to extend publicity for public rights by providing notice either in the council tax leaflet or in the unaudited accounts. Of the 69 responses to this question, 13 (19%) supported use of the council tax leaflet and 49 (71%) opposed; while 19 (28%) supported inclusion in the unaudited accounts and 35 (51%) opposed. One of the grounds for opposing was a mismatch in timing between the period for exercise of the rights and the dates the two documents are published. Others opposed on the ground that existing requirements were sufficient. The removal of the requirement to give notice in a local newspaper was suggested in 16 responses; the grounds being the cost of the advertisements, their perceived ineffectiveness in generating interest in the rights, and the difficulty of finding newspapers that circulated throughout the authority area. Publication on the website was considered sufficient. Some suggested that as the council tax leaflet can be published on the website, and the unaudited statement of accounts need only be published in that way, the suggested additions to publicity in the consultation were more a matter of where the notice appeared on the website.
- 5.19 Questions 20 and 21 asked more generally for views how the Accounts and Audit Regulation should apply to large authorities and to small authorities; the latter also covering the proposal in the consultation that provisions in the existing regulations for small authorities should be retained. Additional points made on the larger bodies are covered under relevant sections above. 20 respondents commented on the smaller bodies section. There was broad support for maintaining the current provisions, though also suggestions for particular improvements to the regulations.
- 5.20 The Government will give further consideration to the points raised by respondents in preparing the draft regulations for consultation.

# Section 6

## The Government's next steps

- 6.1 The Government is grateful to all those that responded to the consultation. The draft regulations will be developed and amended as noted in sections 2-5 of this document.
- 6.2 The Government is working towards having finalised regulations on: the appointment of auditors and auditor resignation/removal, eligibility and regulation of auditors, and the conduct of local audit (consideration of report and recommendations of public interest reports). These will be ready to be laid in the summer.
- 6.3 The Government also plans to issue a further consultation on the other draft regulations in May. This second consultation will cover: further regulations associated with smaller authorities, regulations to allow for the establishment of a sector-led body to procure/appoint local auditors, and Accounts and Audit regulations. The intention is to lay these regulations later on this year.

# Annex A

## Respondents by sector

| Type of respondent                              | Number of responses | %           |
|---|---------------------|-------------|
| Upper tier local authorities                    | 37                  | 28.5%       |
| Lower tier local authorities                    | 35                  | 26.9%       |
| Parish and town councils                        | 19                  | 14.6%       |
| Representative organisations – local government | 8                   | 6.2%        |
| Local government – other                        | 3                   | 2.3%        |
| Public sector organisations                     | 5                   | 3.8%        |
| Audit and accountancy firms                     | 7                   | 5.4%        |
| Audit professional bodies                       | 4                   | 3.1%        |
| Personal responses                              | 12                  | 9.2%        |
| <b>Total</b>                                    | <b>130</b>          | <b>100%</b> |

# Annex B

## List of consultation questions

### Smaller authorities' regulations

1. The Government does not intend to provide for smaller authorities to opt-out during a contract period, for the reasons given above.  
  
However, we would welcome comments on any circumstances under which a smaller authority should be able to opt-out of the specified person's regime once the deadline for opting-out of a contract period has expired.
2. We would like to understand if there are any circumstances in which the specified person should be able to forcibly opt-out a smaller authority. If this is allowed in any circumstances, what safeguards should there be to ensure that the authority is treated fairly and has sufficient time to appoint its own auditor in compliance with the law?
3. Should the specified person be required to publish the record of the names of opted-in and opted-out authorities, and, for opted-in authorities, to publish the names of the appointed auditors?
4. In the event that a smaller authority opts-out of the specified person's appointment regime but then fails to appoint an auditor, should the Secretary of State be able to order that the authority is opted-in and require the specified person to appoint an auditor?
5. Do you have any observations on the draft regulations for smaller authorities?
6. Are these the right criteria for suspension and the right process for exemption?

### Independent auditor panels and the resignation and removal of auditors

7. Do you have any comments about the draft regulations on auditor panels and/or the resignation and removal of auditors?
8. On the resignation and removal of an auditor, does three months give a reasonable period for relevant authorities to make a new appointment?

### Eligibility and regulation of auditors

9. Do you have any comments about the draft regulations on auditor qualifications and major local audits?
10. Do the requirements in Part 2 of the regulations ensure a robust and appropriate qualification for local audit?

11. Do the thresholds in Part 3 seem appropriate to capture the audits of significant local bodies?
12. Do you have any comments about these delegated regulations?

### **Conduct of local audit**

#### **Consideration of report or recommendation – Public Interest Reports**

13. Do you have any comments on the arrangements for Public Interest Reports?

### **Accounts and audit regulations**

14. Do you have any comments about the provisions for financial management, internal control and internal audit?
15. Do you have any comments on the content of statements of account and the process for producing them?
16. Do you have any comments on the bringing forward of the local government accounts timetable, or the practical issues a change would raise?
17. Do you have any comments about Options 1 and 2, or any other options for that matter which would align inspection periods more closely?
18. What is the level of take up of these rights? What information do local electors access through these rights? What use is made of this information?
19. Do you have any comments about additional publicity for the inspection period?
20. Do you have any other comments on the Accounts and Audit regulations for principal bodies?
21. Do you have any comments on the content of Accounts and Audit Regulations for smaller authorities?